

# **NEW HAMPSHIRE STATE LIQUOR COMMISSION**

## **MINUTES OF MEETING – DECEMBER 29, 2004**

**PRESENT:** Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Aidan Moore, Chief of Enforcement; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; Evie Taft, Human Resources Administrator; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer.  
**Guests:** Michael Goclowski, Law Warehouses.

### **I. FINANCIAL & ADMINISTRATIVE REPORTS**

#### **1. Financial Reports**

##### **A. Weekly, Y-T-D Sales Reports:**

The SA1000 report for the week ending December 26, 2004 shows retail sales were up 14.9%, on-premise sales fell by -10.28%, off-premise sales were up by 19.5%, and total aggregate sales increased by a little over 12.7%. The traffic count was up by 5,868, as was the average sales ticket by \$8.13.

The W-1 Total Weekly Sales report for the same week shows total sales were up 12.75% or \$1,400,878 for the week, as they were for the year by 5.8% or \$11,715,215. Wine sales for the week increased 14.4% or \$725,780, and also increased by almost 6.4% or \$5,913,256 for the year. Sales of spirits rose 11.3% or \$675,098, as they did year-to-date by 5.3% or \$5,801,959.

There was nothing of significance to report regarding outstanding depletions and/or post-offs over the past week.

There was an increase of about 800 gift card purchases during the week preceding Christmas. Since July 1st of this year the Commission has been running about \$55,000 ahead of the previous year in gift card sales. However, this number still lags behind original expectations.

##### **B. Budget/Administrative Reports:**

John Bunnell and Craig will represent the Commission as part of an IT focus group meeting scheduled for January 5<sup>th</sup>. It is being conducted by the Governor's Transition Team and will look at current OIT practices to determine if they are working or not. If anyone has concerns regarding this topic, they can be passed along at the meeting.

Information regarding direct deposit, including brochures from the three participating banks and a sign-up sheet, was sent out to store employees

yesterday, and should be received by them within the next couple of days. Employees at headquarters and in the Concord warehouse have already received this information.

The current W-6 Expense Budget Activity Variance Report shows the year is at about 49.5% expired, with about 48.2% of the budget spent. The biggest increase in expenditures has been in Salaries and Benefits. Year to date there has been an increase of only 2.7% in the Expenses category.

George and Craig attended a meeting yesterday with Purchase and Property regarding the problems with the quality and delivery of paper bags. Although the Commission worked with them to develop a more stringent bid requirement, the same vendor was awarded the new contract. Mike O'Connor explained that paper prices are rising. Accounts Payable is now stocking up on bags, which will hopefully alleviate shortage issues. Purchase and Property is also watching the vendor closely to ensure that they meet contract requirements. Commissioner Russell asked if the Commission would be buying gift bags for Christmas next year from this vendor. George said Purchase and Property asked if the Commission would entertain the use of plastic bags, which would realize a savings of around 70%. Peter said they were used several years ago with favorable response from customers, and that they can be recycled. In addition, there are quite a few plastic providers throughout the region, as opposed to only a few paper vendors. Craig felt the biggest problem with using plastic would be adequate strength. George will look into this further and report back to the Commission.

2. IT Report

Howard reported a quiet day for IT employees on stand-by last Friday (Christmas Eve). Rick Racicot did receive a few calls regarding minor problems. There were calls of more significance this past Sunday. The same process will be used for this coming Friday, New Year's Eve. John Bunnell commended Howard and staff for their assistance in maintaining the systems over the holiday season.

3. Human Resources Report: None given.

**II. MARKETING & SALES REPORTS**

1. Store Operations

John Bunnell mentioned that the current copy of New Hampshire Magazine contains a pull-out calendar which advertises the state liquor and wine outlet stores for the month of November 2005.

Total store sales for the week ending 12/26/04 (which included an extra day or two) were up 12.07% or \$1,104,290.50. A number of stores broke over \$100,000. Peter mentioned that Store #34 Salem went over \$193,000, while Store #51 Pelham had sales approaching \$85,000. Commissioner Byrne asked him to determine what the unit increase was, as year-to-date case sales are relatively flat.

Preparations are being made for the seasonal closing of Store #28 Seabrook Beach. Signage is ready to put in the windows, and two ads have been taken out in local newspapers. Inventory will be taken and clean up done on Friday.

Tom Smith met with D.O.T representatives in Keene yesterday regarding the new store. There are some issues concerning the pitch of the roof.

The new location for Swanzey is moving along and should be ready to open on February 1<sup>st</sup>.

Peter visited the proposed Gilford location of 7,000 square feet last week, which he feels is a little bit removed from the road. It is located in a mall with Hannaford, Strawberries and Bed & Bath as some of the other tenants. Peter will check into rumors he has heard that Wal-Mart will be vacating the premises there.

Peter also met with the potential landlord of a potential location in Center Harbor which is 6,000 square feet in area and is located within a colonial-type plaza. Another possible location is up the road in Moultonboro where some mini-malls are also located.

Last week there were several inches of water in the Gilford store. Shop vacs and cleaning people were recruited to clean everything up. A group of displays did fall down. However, the store was open for business again on Christmas Eve.

**A. Martin Luther King/Civil Rights Day – Store Openings and Staffing Recommendations:**

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve store hours of operation and store staffing for Martin Luther King/Civil Rights Day, Monday, January 17, 2005, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted. (In addition, the Commission requested that Peter look into staffing for Store #64, New London, and possibly add that store to the list of openings for that day.)

2. Purchasing Report

The warehouse is currently out of Jack Daniels 750ML. However, a shipment was supposed to have come in from Maine last night. Rick Gerrish is working on moving product around to solve shortages of Grey Goose Vodka.

3. Merchandising Report

A. SPIRITS:

1) Revised Spirit Gross Profit Guideline:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve changes to the spirit gross profit guideline, effective Monday, January 3, 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Test Market Products:

a. Test Market Request (Navan, 750ML):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Schieffelin & Co., for a new test market product listing for Navan, 750ML size (assigned new Code #4531), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Results (Codes #142, #4432, #4433, #5516, #5518 & #3673):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant specialty status to Code #142, Meukow VS Vanilla Cognac, 750ML size, Code #3439, Brokers Gin and Code #3673, Stoli Strawberry, 750ML size, each of which earned their respective gross profits required for specialty item consideration at the conclusion of a six-month test market period, and delist Code #4432, Marimba Tropical Cream, 750ML size, Code #4433, Marimba Orange Cream, 750ML size, Code #5516, Salvadors Blue Margarita, 1.75L size and Code #5518, Salvadors Mango Margarita, 1.75L size, which failed to earn their respective gross profits required for both full and specialty distribution, as recommended by Richard Gerrish,

Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Line Extension Request (Ciroc Vodka, 1.75L):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant a request from United Beverages, Inc./Diageo North America for a line extension to Ciroc Vodka, 1.75L size (assigned new Code #3519), as this brand in the 750ML size has exceeded the gross profit required for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Appeal Tangueray 10, 1.75L:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant an appeal from United Beverages, Inc. regarding the delisting of Code #3648, Tangueray 10, 1.75L size and allow this product to be listed as a specialty item, with limited distribution to 20 stores, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Purchase of Discontinued Product:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc./Boisset America for the Commission to purchase a total of 208 cases of the following discontinued products, to be reduced in price in order to deplete remaining inventory, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #5262, Basilica Creamaretto; Code #5151, Marie Brizard Mango; Code #5227, Goslings Black Seal Rum; and Code #5245, Rosita Coffee Liqueur. The motion was unanimously adopted. (The purchase of Code #5153, Marie Brizard Watermelon was tabled pending further information.)

6) One Time Buy Request (Tequila Rose Strawberry Liqueur):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Martignetti Companies of N.H./McCormick Distilling Company for the Commission to make a one-time purchase of 42 cases of Tequila Rose Strawberry Liqueur, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Product Demo Request (Cruzan Rum):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc. to conduct informational demonstrations in conjunction with Cruzan Rum in five (5) stores during the months of January and February 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) February Special Offers:

a. 6 items – Perfecta Wine Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Perfecta Wine Company, based upon special purchase allowances for six (6) spirit items, to be featured on sale during February 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 6 items – Pine State Trading Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon special purchase allowances for six (6) spirit items, to be featured on sale during February 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 42 items – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon special purchase allowances for forty-two (42) spirit items, to be featured on sale during February 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. 26 items – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon special purchase allowances for twenty-six (26) spirit items, to be featured on sale during February 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. 92 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon special purchase allowances for ninety-two (92) spirit items, to be featured on sale during February 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- f. 147 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon special purchase allowances for one hundred forty-seven (147) spirit items, to be featured on sale during February 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- g. 59 items (unmatched) – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions, without matching state funds, for fifty-nine (59) spirit items, to be featured on sale during February 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

**B. WINES:**

- 1) N.H. State Liquor Commission Wine Tasting (Nashua Center):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a wine tasting entitled “Taste of the Towns” to

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benefit the Nashua Center, to be held at the Nashua Marriott on Friday, October 21, 2005 from 6:00 to 9:00 p.m., as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Moet & Chandon February Valentines Displays:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Schieffelin & Company for the Commission to purchase 110 cases of four Moet & Chandon products and feature five items on sale during a February 2005 Valentines display promotion, to be distributed in two case allotments to 10 designated stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Purchase of B&G Wines:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a special purchase offer from United Beverages, Inc./Diageo North America on five (5) B&G wine products, to be featured on sale during February 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Purchase & Distribution of Monkey Bay:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a special purchase offer from United Beverages, Inc./Constellation Brands on Code #41546, Monkey Bay Sauvignon Blanc Marlborough, 750ML size, to be distributed to Cluster 1 stores and featured on sale during February 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Blackstone Special Program:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from United Beverages, Inc./Pacific Wine Partners to conduct a special program featuring seven (7) Blackstone wines on sale during February and March 2005, including 50 NHSLC gift card raffles, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.



6) Wines for Close Out & Purchase:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve thirty-nine (39) wine codes from Martignetti Companies of N.H./Executive Wine & Spirits, to be purchased and discounted in close-out locations, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Special Offers for January & February 2005 (Superbowl Sale):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of five (5) wine items, to be featured on sale during the Superbowl Sale for January and February 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Special Offers for February 2005:

a. 10 items – R.P. Imports:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from R.P. Imports, based upon depletions and/or special purchase allowances for ten (10) wine items, to be featured on sale during February 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 16 items – Charles Zoulias:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Charles Zoulias, based upon depletions and/or special purchase allowances for sixteen (16) wine items, to be featured on sale during February 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 49 items – M.S. Walker, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions and/or special purchase

allowances for forty-nine (49) wine items, to be featured on sale during February 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 40 items – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions and/or special purchase allowances for forty (40) wine items, to be featured on sale during February 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. 100 items – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions and/or special purchase allowances for one hundred (100) wine items, to be featured on sale during February 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. 61 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions and/or special purchase allowances for sixty-one (61) wine items, to be featured on sale during February 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

g. 3 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of three (3) wine items, to be featured on sale during February 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- h. 111 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions and/or special purchase allowances for one hundred eleven (111) wine items, to be featured on sale during February 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 9) Primary Source Submissions (7 items – primary source; 1 item – exclusive agent; 23 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of seven (7) wine codes which are from primary source, one (1) wine code which is not from primary source, but is offered by the exclusive marketing agent, and twenty-three (23) wine codes which are not from primary source, but are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

**III. ENFORCEMENT & LICENSING REPORT – None.**

**IV. CHAIRMAN'S REPORT & LATE ITEMS**

- 1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated December 16 through December 29, 2005. The motion was unanimously adopted.

- 2. Coupon Approvals:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed coupon (pad, necker and consumer offer) requests for the month of January 2005. The motion was unanimously adopted.

- 3. Late Items/Other:

- a. Recommended Allocated Wines for Distribution to Selected Stores (4 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve four (4) allocated wine items for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. “R” Wines for Allocation to Licensees Selected by the Broker (3 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve three (3) restricted wines for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

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Anthony C. Maiola, Chairman

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John W. Byrne, Commissioner

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Patricia T. Russell, Commissioner

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